III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or
(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments
- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include File Number SR–BOX–2015–22 on the subject line.

Paper Comments
- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549–1090.

All submissions should refer to File Number SR–BOX–2015–22. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–BOX–2015–22, and should be submitted on or before August 3, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.25

Brent J. Fields,
Secretary.

[FR Doc. 2015–16975 Filed 7–10–15; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Volume-Based and Multi-Trigger Threshold

July 7, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")1, and Rule 19b–4 thereunder,2 notice is hereby given that on June 22, 2015, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission")3 the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to adopt a new Rule 1095 entitled “Automated Removal of Market Maker Quotes” of the rules governing Phlx. The Exchange proposes to adopt two new Phlx Market Maker risk protections, a volume-based threshold and a multi-trigger threshold.4

The text of the proposed rule change is available on the Exchange’s Web site at http://nasdaqomxphlx.cchwallstreet.com/, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the filing is to adopt two new risk protections for Phlx specialists, SQTs and RSQTs (collectively “Market Makers”) to monitor marketplace risk. These protections are intended to assist Market Makers to control their trading risks.5

Quoting across many series in an option creates the possibility of “rapid fire” executions that can create large, unintended principal positions that expose Market Makers, who are required to continuously quote in assigned options, to potentially significant

5 A “Market Maker” includes Registered Options Traders (“ROTs”) (Rule 1014(b)(ii) and (iii)), which includes Streaming Quote Traders (“SQTs”) (see Rule 1014(b)(ii)(A)) and Remote Streaming Quote Traders (“RSQTs”) (see Rule 1014(b)(ii)(B)). An SQT is defined in Exchange Rule 1014(b)(ii)(A) as an ROT who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. An RSQT is defined in Exchange Rule 1014(b)(ii)(B) as an ROT that is a member or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange. A Market Maker also includes a specialist, an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).
6 Market Makers will be required to continue to utilize the Risk Monitor Mechanism in Rule 1093, as is the case today.
7 See Rule 1014 entitled “Obligations and Restrictions Applicable to Specialists and Registered Options Traders.”
market risk. Today, the Exchange’s rules permit Market Makers to monitor risk arising from multiple executions across multiple options series of a single underlying security.6

The Exchange is proposing to offer a new volume-based and multi-trigger threshold protection to Market Makers. The Exchange proposes to adopt a new Rule 1095, entitled, “Automated Removal of Market Maker Quotes,” to establish: (1) a threshold used to calculates each Market Maker’s total volume executed in all series of an underlying security within a specified time period and compares that to a pre-determined threshold (“Volume-Based Threshold”), and (2) a threshold used to measure the number of times the Phlx XL system (“System”) has triggered7 based on the Risk Monitor Mechanism (“Percentage-Based Threshold”) pursuant to Rule 1093 and Volume-Based Thresholds within a specified time period and compares that total to a pre-determined threshold (“Multi-Trigger Threshold”).

Volume-Based Threshold

In connection with offering these two new threshold protections, a Market Maker would provide a specified time period and volume threshold by which the Exchange’s System would automatically remove the Market Maker’s quotes in all series of an underlying security, depending on the threshold utilized, submitted through designated Phlx protocols, as specified by the Exchange. The Exchange counts Specialized Quote Feed (“SQF”)8 quotes only in determining the number of contracts traded and removed by the System.

The Volume-Based Threshold will determine, during a specified time period established by the Market Maker not to exceed 15 seconds (“Volume-Based Specified Time Period”), whether a Market Maker executed a number of contracts which equals or exceeds the designated number of contracts specified by the Market Maker in all series of an underlying security to determine whether to remove the Market Maker’s quotes in all series of

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6 See Phlx Rule 1093, entitled “Phlx XL Risk Monitor Mechanism.” The Percentage Based Threshold compares each Market Maker’s executed volume to the total volume disseminated in that series or underlying, and then triggers a protective response when that percentage exceeds the percentage the Market Maker has determined to be acceptable.

7 A trigger is defined as the event which causes the System to automatically remove all quotes in all options series in an underlying issue.

8 SQF permits the receipt of quotes.

9 The System’s count of the number of contracts executed is based on trading interest resting on the Exchange book.

10 Id.

11 This would be more than one Market Maker, but does not require the aggregation of all the member’s Market Makers. A Group would be comprised of Market Makers affiliated with one member or member organization. The member or member organization would be required to define a Group by providing a list of such affiliated Market Makers to the Exchange.

12 For purposes of this rule, a trigger shall be defined as the event which causes the System to automatically remove quotes in all options series in all underlying issues. Once the System determines that the number of triggers equals or exceeds a number established by either the Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes in all options series in all underlying issues for that Market Maker or Group. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes as described in section (iv) of the proposed rule or the Multi-Trigger Specified Time Period expires. Members may configure the Multi-Trigger Threshold at the badge level (by Market Maker) or by Group (multiple affiliated Market Makers), but not both. This is different as compared to the Percentage-Based Threshold in Rule 1093 or the newly proposed Volume-Based Thresholds that are configured at the badge level (by Market Maker). The System counts triggers within a Multi-Trigger Specified Time Period across all options for the Market Maker or Group. A Multi-Trigger Specified Time Period operates on a rolling basis in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

13 The System will automatically remove quotes in all options in an underlying security when the Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached. Today, ISE’s functionality permits market maker quotes to be removed from the ISE trading system if a specified number of curtailment events occur across both ISE and ISE Gemini, LLC (“ISE Gemini”). ISE and ISE Gemini’s trading systems will count the number of times a market maker’s pre-set curtailment events occur on each exchange and aggregate them. Once a market maker’s specified number of curtailment events across both markets is reached, the trading systems will remove the market maker’s quotes in all classes on both ISE and ISE Gemini. ISE will then reject any quotes sent by the market maker after the parameters across both exchanges have been triggered until the market maker notifies the market operations staff of ISE that it is ready to come out of its curtailment. See Securities Exchange Release No. 73147 (September 19, 2014), 79 FR 57639 (September 25, 2014) (SR–ISE–2014–09) (Order approving proposed rule change related to market maker risk parameters).

14 The specified time period for the Volume-Based Threshold and the Multi-Trigger Threshold may differ. The specified time period for the
System will send a Purge Notification Message \(^{15}\) to the Market Maker for all affected thresholds when the above thresholds have been reached. The two thresholds, Volume-Based Threshold and Multi-Trigger Threshold operate independently of each other. The triggering of the Volume-Based Threshold would occur independently of that of the Multi-Trigger Threshold. The Multi-Trigger Threshold is somewhat dependent on the Volume-Based Threshold to the extent that the Volume-Based Threshold serves as a trigger for the Multi-Trigger Threshold. Quotes will be automatically executed up to the Market Maker’s size regardless of whether the quote exceeds the Volume-Based Threshold.\(^{16}\)

If a Market Maker requests the System to remove quotes in all options series in all underlying issues, the System will automatically reset the Volume-Based Specified Time Period(s). The Multi-Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.\(^{17}\) When the System removes quotes as a result of the Volume-Based Threshold, the Market Maker must send a re-entry indicator to re-enter the System. When the System removes quotes as a result of the Multi-Trigger Threshold, the System will not accept quotes through designated protocols until the Market Maker manually requests re-entry.\(^{18}\) After quotes are removed as a result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the Market Maker for all options series in all underlying issues.\(^{19}\) The Market Maker’s Clearing Firm will be notified regarding the trigger and re-entry into the System after quotes are removed as a result of the Multi-Trigger Threshold, provided the Market Maker’s Clearing Firm has requested to receive such notification.\(^{20}\) The System will then reset all counters to zero and re-entry and continued trading will be permitted. A Market Maker is subject to continuous quoting obligations\(^{21}\) despite the removal of quotes from the System and approval process for re-entry.

Today, the Exchange provides Market Makers with the Percentage-Based Threshold in Rule 1093 to monitor risk.\(^{22}\) The Exchange will continue to require Market Makers to utilize the Percentage-Based Threshold. The Volume-Based Threshold and the Multi-Trigger Threshold will be optional.

The Exchange reserved subsection (i) for future modifications to this rule. The Exchange proposes to implement this rule within thirty (30) days of the operative date.

Example #1 of the Volume-Based Threshold is displayed below. Present the following order book:

<table>
<thead>
<tr>
<th>Series of underlying XYZ</th>
<th>Size on bid x offer for MM1</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 Strike Call</td>
<td>300x300</td>
</tr>
<tr>
<td>100 Strike Put</td>
<td>250x50</td>
</tr>
<tr>
<td>110 Strike Call</td>
<td>200x200</td>
</tr>
<tr>
<td>110 Strike Put</td>
<td>150x150</td>
</tr>
</tbody>
</table>

In this example, assume the Specified Time Period designated by the Market Maker #1 is 10 seconds and the designated number of contracts permitted for the Volume-Based Threshold is 250 contracts. Assume at 12:00:00, the Market Maker #1 executes all of his offer size, 200 contracts, in the 110 Strike Calls. The System will initiate the Specified Time Period and for 10 seconds the System will count all volume executed in series of underlying XYZ. If at any point during that 10 second period, the Market Maker #1 executes additional contracts in any series of underlying XYZ, those contracts will be added to the initial execution of 200 contracts. To illustrate, assume at 12:00:05 the Market Maker #1 executes 60 contracts of his offer in the 100 Strike Calls. The total volume executed is 220 contracts which does not exceed the Volume-Based Threshold. This second execution initiates another Specified Time Period so there are two open time periods, the first with 5 seconds remaining and a new 10 second time period. At 12:00:10, the first timer period expires and the initial execution of 200 contracts is no longer counted toward the designated number of contracts permitted for the Volume-Based Threshold. Further assume at 12:00:12, which is outside of the initial time period but still within 10 seconds of the second execution of 20 contracts, another execution occurs with Market Maker #1 executing 230 contracts of his bid in 100 Strike Calls. This total volume executed toward the Volume-Based Threshold within the Specified Time Period is now 250 contracts which equals the designated number of contracts permitted causing the System to remove all quotes in all series of underlying XYZ over the designated protocols for Market Maker #1 to be removed from the System; no quotes will be executed in series XYZ until the Market Maker enters new quotes in series XYZ. The Volume-Based Specified Time Period will be reset for Market Maker #1 in underlying XYZ and Market Maker #1 will need to send a re-entry indicator in order to re-enter quotes in options series for underlying XYZ into the System.

Example #2 of the Volume-Based Threshold: Similar to the example above, assume the Specified Time Period is 10 seconds and the designated number of contracts permitted for the Volume-Based Threshold is 250 contracts. Assume at 12:00:00, Market Maker #1 executes all of his offer size, 200 contracts, in the 110 Strike Calls. The System will initiate the Specified Time Period and for 10 seconds the System will count all volume executed in series of underlying XYZ. If at any point during that 10 second period, Market Maker #1 executes additional contracts in any series of underlying XYZ, those contracts will be added to the initial execution of 200 contracts. Then assume at 12:00:05 Market Maker #1 executes 20 contracts of his offer in the 100 Strike Calls. The total volume executed is 220 contracts which does not exceed the Volume-Based Threshold. This second execution initiates another Specified Time Period so there are two open time periods, the first with 5 seconds remaining and a new 10 second time period. At 12:00:10, the first timer period expires and the initial execution of 200 contracts is no longer counted toward the designated number of contracts permitted for the Volume-Based Threshold. Further assume at 12:00:12, which is outside of the initial time period but still within 10 seconds of the second execution of 20 contracts, another execution occurs with Market Maker #1 executing 230 contracts of his bid in 100 Strike Calls. This total volume executed toward the Volume-Based Threshold within the Specified Time Period is now 250 contracts which equals the designated number of contracts permitted causing the System to remove all quotes in all series of underlying XYZ over the designated protocols for Market Maker #1 to be removed from the System; no quotes will be executed in series XYZ until the Market Maker enters new quotes in series XYZ. The Volume-Based Specified Time Period will be reset for Market Maker #1 in underlying XYZ and Market Maker #1 will need to send a re-entry indicator in order to re-enter quotes in options series for underlying XYZ into the System.

Example #3: In order to illustrate the Multi-Trigger Threshold, assume Example #1 and Example #2 provided above occurred in options series of two different underlyings rather than all in options series of underlying XYZ and for two separate Market Makers (MM#1 and MM#2).
for Example #1 and MM#2 for Example #2) of the same member organization. Assume a Group is defined by the member organization and is comprised of the MM #1 and MM #2. Further assume the member organization has defined the Multi-Trigger Specified Time Period as 10 seconds and the number of allowable triggers as two. Based on the aforementioned examples, a Multi-Trigger Specified Time Period commences at 12:00:05 when MM#1 triggers the Volume-Based Threshold. This Volume-Based Threshold triggers counts as the first trigger toward the Multi-Trigger Threshold for the Group. Another Multi-Trigger Specified Time Period is initiated at 12:00:12 when MM#2 triggers the Volume-Based Threshold (per Example #2). This Volume-Based Threshold trigger counts as the second trigger toward the Multi-Trigger Threshold for the Group since it is within the Multi-Trigger Specified Time Period of the first trigger. Since the member organization designated two triggers for the number of allowable triggers, the Group, both MM#1 and MM#2, quotes in all option series in all underlying issues for the Group are automatically removed from the System and Purge Notification Messages are sent to the Group; no quotes will be executed in series XYZ until the Market Maker enters new quotes in series XYZ. The member organization will need to contact the Exchange to request Exchange staff to enable re-entry into the System. The Exchange proposes to implement this rule within thirty (30) days of the operative date. The Exchange will issue an Options Trader Alert in advance to inform market participants of such date.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by enhancing the risk protections available to Exchange members. The proposal promotes policy goals of the Commission which has encouraged execution venues, exchange and non-exchange alike, to enhance risk protection tools and other mechanisms to decrease risk and increase stability.

The individual firm benefits of enhanced risk protections flow downstream to counter-parties both within and without the Exchange, thereby increasing systemic protections as well. Additionally, because the Exchange offers these risk tools to Market Makers, in order to encourage them to provide as much liquidity as possible and encourage market making generally, the proposal removes impediments to and perfects the mechanism of a free and open market and a national market system and protect investors and the public interest. With respect to permitting the Multi-Trigger Threshold to be set either to one Market Maker or to a number of specified Market Makers affiliated with a member, it is important to note that the risk to Market Makers is not limited to a single series in an option but to all series in an option. Market Makers that quote in multiple series of multiple options have significant exposure, requiring them to offset or hedge their overall positions. The proposed functionality will be useful for Market Makers, who are required to continuously quote in assigned options classes on the Exchange. Quoting across many series in an option or multiple options creates the possibility of executions that can create large, unintended principal positions that could expose market makers to unnecessary risk. The Multi-Trigger Threshold functionality is intended to assist Market Makers manage that risk at the Group level so that Market Makers may provide deep and liquid markets to the benefit of all investors.

The Exchange further represents that its proposal will operate consistently with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS and that the functionality is not mandatory. Specifically, any interest that is executable against a Market Maker’s quotes that are received by the Exchange prior to the time either of these functionalities are engaged will be automatically executed at the price up to the Market Maker’s size, regardless of whether such execution results in executions in excess of the Market Maker’s pre-set parameters.

25 The time of receipt for an order or quote is the time such message is processed by the Exchange back.

26 See Section 8 of the 19b4.
unreasonably burdensome because Market Makers can enter an out-of-range value so that the Exchange-provided risk protections will not be triggered. Reducing risk by utilizing the proposed risk protections will enable Market Makers to enter quotations with larger size, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act and subparagraph (I)(i) of Rule 19b–4 thereunder. The Exchange has requested that the Commission waive the thirty-day operative delay so that the proposal may become operative immediately. The Exchange states that waiving the thirty-day operative delay will enable Market Makers to enhance their risk controls and risk management processes without additional delay. The Commission believes that waiving the thirty day delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the thirty-day operative delay and designates the proposal effective upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments
- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml);
- Send an email to rule-comments@sec.gov. Please include File Number SR–Phlx–2015–52 on the subject line.

Paper Comments
- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090.
- Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission’s Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), and Rule 19b–4 thereunder, notice is hereby given that on July 1, 2015, Chicago Board Options Exchange, Incorporated (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The text of the proposed rule change is available on the Exchange’s Web site (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The

29 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(i) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

30 For purposes of waiving the 30-day operative delay, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

